

# **COURSE OBJECTIVES**

## **LEARN ABOUT YOUR FEDERAL ANNUITY**

- **How it will be calculated**
- **When you can qualify**
- **Some actions you may need to take now to avoid reductions**
- **What your survivors will be eligible for at your death**

# **COURSE OBJECTIVES**

## **LEARN ABOUT YOUR SOCIAL SECURITY**

- **How it will be calculated**
- **What your family members may be eligible to receive**
- **When and how you qualify**

# COURSE OBJECTIVES

## LEARN ABOUT YOUR THRIFT SAVINGS PLAN

- **Why it is such a good thing**
- **Important changes in the future**
- **How much you can expect to accumulate in your account by the time you retire**
- **When and how you can draw out your money**

# COURSE OBJECTIVES

- Become aware of changes that will take place in your FEGLI and FEHBP in retirement

# COURSE OBJECTIVES

- Learn what the federal Long Term Care Insurance program is and how you can apply for coverage

# IDENTIFYING YOUR RETIREMENT PROGRAM FERS



- Hired after 12/31/83  
a covered position
- or
- Transferred from CSRS

# WHERE YOUR MONEY GOES UNDER FERS

Civil Service  
Trust Fund



**.8%**

TSP



**Up to 13%**

Social Security

**6.2%**



# RETIRING UNDER “NORMAL” RULES FERS

- MRA of 55 to 57 with 30 years
- Age 60 with 20 years
- Age 62 with 5 years



# RETIRING UNDER “NORMAL” RULES

## FERS SUPPLEMENT

- Special payment from OPM to supplement annuity until Social Security begins at 62
- Subject to “earnings test”

# EARLY RETIREMENTS

- Occur during periods of major reorganization or downsizing
- May be voluntary or involuntary

# EARLY RETIREMENTS

- Age 50 with 20 years
- Any age with 25 years

*\*No supplement payable til MRA*

# MRA + 10 RETIREMENT FERS ONLY

- Can retire with just 10 years of service at MRA
- Annuity reduced 5% for each year under age 62
- Can postpone annuity to avoid age reduction
- No supplement payable

# DEFERRED BENEFITS

- Payable to employees who do not qualify for immediate annuity at separation and leave contributions in trust fund

# DEFERRED BENEFITS

## FERS

- MRA with 30 years
- Age 60 with 20 years
- Age 62 with 5 years
- MRA with 10 (reduced)

*\*\*\*No supplement payable\*\*\**

# CREDITABLE SERVICE

May include:

- Federal civilian service
- Military service
- Periods of LWOP or WC

# DEPOSIT



# SERVICE

You may need to make a deposit  
into the Civil Service Trust  
Fund to cover certain types of  
federal civilian service and  
military service



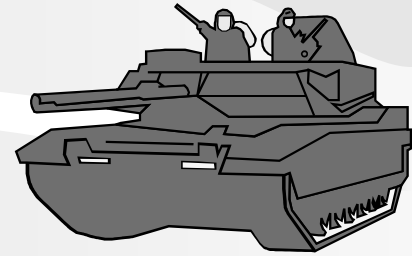
# CIVILIAN SERVICE DEPOSITS FOR FERS

- Performed before 01/89
  - Creditable only if deposit made
  - Must deposit 1.3% of base pay at time plus variable interest
  - Obtain SF3108 to deposit

# CIVILIAN SERVICE DEPOSITS FOR FERS

- Performed 1/89 or later
  - Deposit not an option
  - Service not creditable for eligibility or comp

# MILITARY SERVICE DEPOSITS



- To get credit for post-1956 military service:
  - Must have been active duty and honorable
  - Must generally waive military retirement

# MILITARY SERVICE DEPOSITS FOR FERS

- Creditable for comp and eligibility only if deposit is made and military pay waived

# MILITARY SERVICE DEPOSITS FOR FERS

- Must pay 3% of base military pay plus variable interest
- Complete RI 20-97 and submit to your branch of service along with DD-214
- Contact agency personnel office for assistance and to complete SF3108



# WITHDRAWN CONTRIBUTIONS

- FERS contributions cannot be redeposited
- FERS employees who worked less than 5 years under CSRS and withdrew contributions from the Civil Service Trust Fund must make a redeposit to get credit for those years

# CALCULATING YOUR ANNUITY

- Amount of annuity based on:
  - Total creditable years of service
  - Highest 3 consecutive years of salary

# CALCULATING YOUR ANNUITY

- Under age 62
  - $\text{Hi-3} \times 1\%$  for each year
- Age 62 with 20 years
  - $\text{Hi-3} \times 1.1\%$  for each year of service



# DEDUCTIONS FROM ANNUITY

- Taxes
- If elected:
  - Cost of Health Ins
  - Cost of Life Insurance
  - Cost of Survivor Annuity

# TAXATION OF ANNUITY

- Most of annuity will be taxed
- Small portion will be tax-free based on total contributions to Trust Fund and age at time of retirement

# TAXES

## FEDERAL ANNUITY

- To determine non-taxable portion, obtain total contributions to Retirement Fund from CSA-1099R
- Divide by factor from Table 1 or 2 (pg 232)

*See IRS PUB 721*

# COST OF HEALTH INSURANCE



- Employee's share of cost remains the same
- Government continues paying its share

# COST OF LIFE INSURANCE

- Cost of basic increases with retirement
- Cost of options increases with age

# SPOUSAL SURVIVOR ANNUITY



- At retirement, your spouse can:
  - Elect maximum annuity
  - Elect reduced annuity
  - Waive survivor annuity

# SPOUSAL SURVIVOR ANNUITY

## WARNING!!!

- Failure to elect a survivors annuity may result in loss of health insurance coverage for your spouse at your death



# SURVIVOR ANNUITY FERS

- Maximum annuity
  - Equals 50% of your base annuity
- Reduced annuity
  - Equals 25% of your base annuity



# SURVIVOR ANNUITY FERS

*\$\$ COST \$\$*

- Maximum benefit
  - 10% of base annuity
- Reduced benefit
  - 5% of base annuity

# SURVIVORS ANNUITY AND FORMER SPOUSES

- Former spouse with qualifying court order takes precedence over current spouse
- Employee still required to make election for current spouse

# CHANGING SPOUSAL ANNUITY ELECTIONS

- Make any change within 30 days of receipt of first regular annuity payment
- Make increases during first 18 months retro to retirement date, subject to interest and penalties

# CHANGING SPOUSAL ANNUITY ELECTIONS

- Marriage after retirement:
  - may elect survivors annuity within two years

*NOTE: When spouse dies before retiree, reduction for spousal annuity is stopped*

# INSURABLE INTEREST SURVIVORS ANNUITY

- Provides monthly annuity to person who has insurable interest in retiree
- Cost depends on age difference between retiree and survivor

# OTHER DEATH BENEFITS



- No election required for monthly annuity to:
  - Surviving spouse of deceased employee
  - Surviving children of deceased employee or retiree

# DEATH BENEFITS FOR SPOUSE OF EMPLOYEE

## FERS

With 10 years of service:

- Eligible for monthly pmt
- Amount equals 50% of employee's earned benefit

# DEATH BENEFITS FOR SPOUSE OF EMPLOYEE

## FERS

With 18 months service, eligible for:

- $\frac{1}{2}$  annual salary at death
- Lump sum of \$24,354.74

*(Paid in addition to monthly annuity with 10 years service)*



# DEATH BENEFITS FOR CHILDREN



- Definition of Child
  - Under 18
  - Full time student under age 22
  - Disabled before age 18

# DEATH BENEFITS FOR CHILDREN



- Payable to children of retirees or employees
- Amount of benefit:
  - \$384 to \$461 monthly
- *Note: FERS benefit will be offset by Social Security*

# LUMP SUM DEATH BENEFITS

- Payable to designated beneficiary when no monthly survivor benefit is payable
- Payment represents employees contributions remaining in Civil Service Trust Fund plus interest

# DISABILITY BENEFITS

- Must be unable to perform useful, efficient service
- Must be considered for placement in vacant position in same agency, at same pay, in same commuting area



# DISABILITY BENEFITS FERS

- Need 18 months service
- Payable 1<sup>st</sup> year
  - 60% x Hi-3 less 100% SS
- Payable 2<sup>nd</sup> year on
  - 40% x Hi-3 less 60% SS

# COST OF LIVING ADJUSTMENTS

- Payable at 62 (eff. Dec)
- Equals rate of inflation as measured by CPI minus 1% if inflation exceeds 3%

# PICKING YOUR FERS RETIREMENT DATE

- Employee first eligible in the month following retirement date

## *EXAMPLE*

Date of Retirement: Dec 31

First Eligible: Month of Jan

First Check Payable: Feb 1



# LUMP SUM PAYMENT FOR ANNUAL LEAVE

- Will receive lump sum for:
  - 240 carryover plus
  - Unused leave for current year
- Takes about 2 to 4 weeks
- Consider tax implications



# PERSONNEL OFFICE ACTIONS

- Review OPF
- Send annuity estimate and info on deposits and redeposits
- Send necessary forms

# YOUR ACTIONS FERS



- Review forms and estimates carefully, especially SF-3107-1:  
*CERTIFIED SUMMARY OF FEDERAL SERVICE*
- Complete and return all required forms

# Review Beneficiary Designations

- Civil Service Trust Fund
  - SF-3102
- FEGLI
  - SF 2823
- Thrift Savings
  - TSP-3

# OPM ACTIONS AFTER SEPARATION

- Acknowledges receipt of application; issues CSA #
- Issues interim payment which is 80-95% of full benefit in about 2 to 4 weeks after receipt

# OPM ACTIONS AFTER SEPARATION

- OPM becomes point of contact for all future inquiries

1-888-767-6738

Email: [retire@opm.gov](mailto:retire@opm.gov)

[www.opm.gov](http://www.opm.gov)

# SOCIAL SECURITY



- Will you be eligible?
  - Need 40 work credits
  - Must earn \$890 in 2003 to get one work credit
  - May earn max of 4 work credits per year (\$3560)

# SOCIAL SECURITY

- How will the benefit be calculated?



MULTI-STEP  
FORMULA  
USED

# SOCIAL SECURITY

- How old must you be to retire?
  - Reduced benefits at 62
  - Full benefits between 65 and 67 based on you date of birth



# SOCIAL SECURITY

- STEP 1
  - Actual wages will be converted to figures more relevant to today's earnings. This is called indexing.



# SOCIAL SECURITY



- STEP 2
  - Highest 35 years of indexed earnings will be added together.

# SOCIAL SECURITY

- STEP 3
  - Sum of 35 years will be divided by 420 (the number of months in 35 years)
  - This provides the AIME (average indexed monthly earnings)

# SOCIAL SECURITY

- Step 4 - Three-part formula applied to AIME:
  - a.  $90\% \times 1^{\text{st}} \$606$  of AIME
  - b.  $32\% \times$  dollars over \$606 up to \$3653
  - c.  $15\% \times$  dollars over \$3653

# SOCIAL SECURITY ONLINE SERVICES

[www.ssa.gov](http://www.ssa.gov)



- Click on “Top Ten Requests” to obtain your personalized social security benefit estimate

# SOCIAL SECURITY AND MILITARY SERVICE

Extra earnings for military service

- Service in 1978 or later
  - \$100 for every \$300 active duty pay (max added per year \$1200)
- Service in 1957 thru 1977
  - \$300 for each calendar quarter active duty pay (max added per year \$1200)
- Service before 1957 - \$160/mo

# SOCIAL SECURITY EARNINGS TEST

- Applies only while under FRA
- Reduces SS benefit in years before FRA (*\$1 for \$2*) when “earnings” exceed \$11,520
- Does not apply to savings, pensions, annuities, etc.

# SOCIAL SECURITY FOR FAMILY MEMBERS

- Both life and death benefits may be payable to a current spouse, former spouse and your children



# SOCIAL SECURITY FOR FAMILY MEMBERS

- Life benefit for spouse
  - Full retirement age -50%
  - Age 62 (reduced) -31½ -37½%
  - Child-in-care (<16) -50%

*Divorced spouse must have been married  
10 years*

# SOCIAL SECURITY FOR FAMILY MEMBERS

## Death benefit for spouse

- Full retirement age    -100%
- Age 60 (reduced)        -71½%
- Child-in-care (<16)    -75%

*Divorced spouse's entitlement won't  
affect current spouse*

# SOCIAL SECURITY FOR FAMILY MEMBERS

- Children
  - Under 18
  - Between 18 and 19 but still in high school
  - Disabled before age 22

# SOCIAL SECURITY FOR FAMILY MEMBERS

- Benefits for children:
  - Life benefit           50%
  - Death benefit       75%

*There is a family maximum payable on  
any one record*

# TAXES

## SOCIAL SECURITY

- 50% of SS is taxable if “provisional” income is:
  - \$32 to \$44K - married
  - \$25 to \$34K- single

- 85% of SS is taxable if “provisional” income is:
  - \$44K+- married
  - \$34K+- single

See IRS PUB 554

# FEDERAL EMPLOYEES HEALTH BENEFIT PLAN

- Types of Plans
  - Fee for Service
  - Pre-paid
- Types of Enrollments
  - Self-only
  - Self and family

# ***FEHBP***

- Must have been in effect 5 years preceding retirement
- Becomes secondary when Medicare begins
- Enrollment/carrier changes allowed in retirement

# FEHBP PREMIUM CONVERSION

- Allows employees to have premiums withheld before taxes
- Premium conversion not available to retirees



# ***MEDICARE***

- Eligible at 65
- Two Parts
  - Part A – Hospital Ins (free)
  - Part B – Supplementary Medical Ins (\$58.70 mthly)
- Primary in retirement

# Enrollment Periods

## MEDICARE

### Initial Enrollment Period

- Begins 3<sup>rd</sup> month before age 65 and runs thru 3<sup>rd</sup> month after age 65
- Enrollment outside of IEP may result in surcharge for Part B (10% per year)

# MEDICARE ENROLLMENT PERIODS

## General Enrollment Period

- Runs Jan thru Mar each yr

## Special Enrollment Period

- For persons still working at 65 and covered by employer
- Begins month of retirement and runs for 8 months

# THRIFT SAVINGS PLAN

- Provides opportunity for tax-deductible contributions and tax deferred growth
- Government contributes 1% automatically and matches up to an additional 4%

# **FUTURE CHANGES TO THRIFT SAVINGS PLAN**

- Increased contributions to TSP
  - May currently contribute 13%
  - May contribute 14% effective 12/03
  - May contribute 15% eff 12/04
- Effective December 2005 there will no longer be a percentage cap on TSP contributions

# **FUTURE CHANGES TO THRIFT SAVINGS PLAN**

- Increased deferral limits
  - Current limit - \$12,000
  - Limit effective 2004 - \$13,000
  - Limit effective 2005 - \$14,000
  - Limit effective 2006 - \$15,000

# **FUTURE CHANGES TO THRIFT SAVINGS PLAN**

- Catch-up Contributions for Persons 50 and above:
  - 2003 - \$2000
  - 2004 - \$3000
  - 2005 - \$4000
  - 2006 - \$5,000

# THRIFT SAVINGS PLAN

- Open season:
  - Allows you to begin or change contributions
- Interfund transfers:
  - Allow you to move money between funds daily



# TSP INVESTMENT OPTIONS

- G fund –Gov't Securities
- F fund –Bond Index
- C fund –Common Stock Index
- S fund – Small Cap Index
- I fund – International Index

# TSP RATES OF RETURN

- 10-year annualized rates of return for 1993 through 2002:
  - C Fund – 9.29%
  - F Fund – 7.49%
  - G Fund – 6.24
  - S Fund – 7.3% (Wilshire 4500)
  - I Fund – 3.9% (Morgan Stanley EAFE)

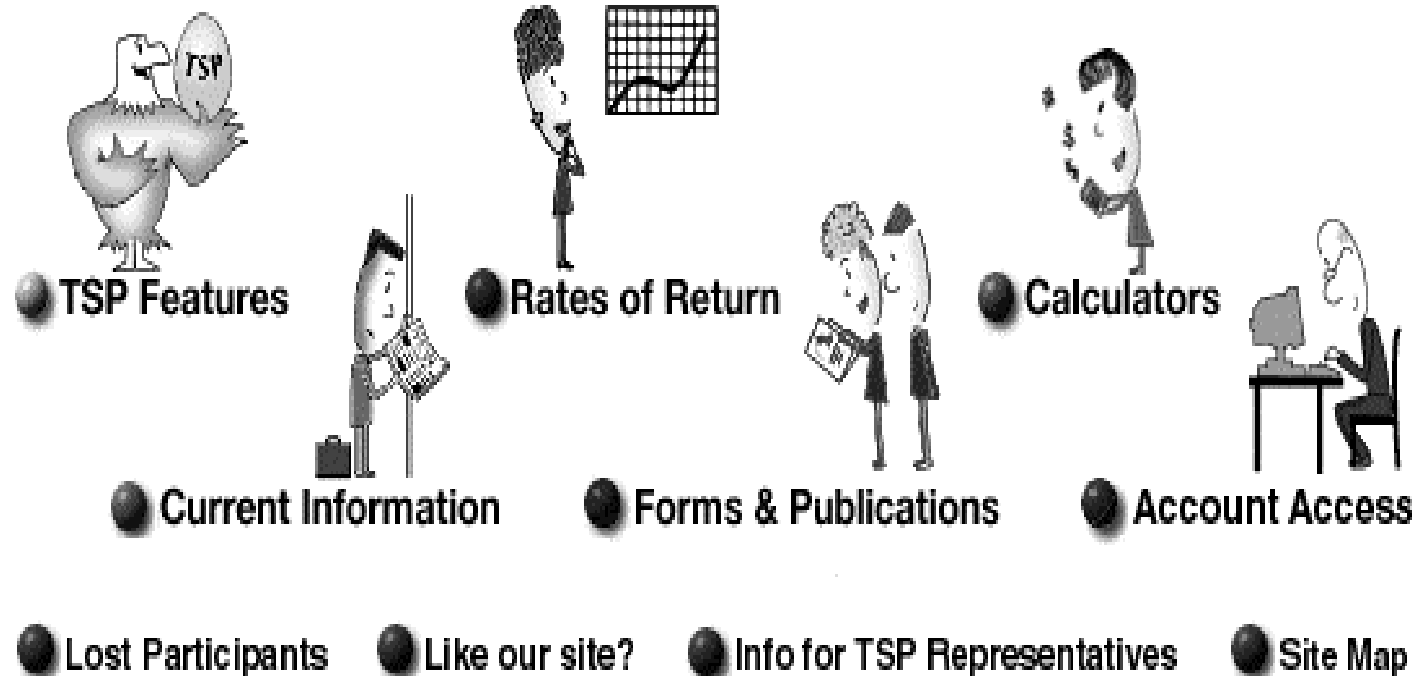
# TSP ONLINE



[www.tsp.gov](http://www.tsp.gov)

- Calculators
  - Projecting Acct Bal.
- Account Access
- Rates of Return

# TSP HOMEPAGE



# TSP LOANS

- General Purpose
  - 1 to 5 year repayment
- Residential
  - 1 to 15 yr repayment

*Loans are not available to retirees*

# TSP WITHDRAWAL OPTIONS



- Roll funds into IRA
- Transfer to qualified plan
- Receive equal monthly pmts
- Receive one-time partial pmt
- Receive entire lump-sum
- Purchase annuity

# ANNUITY OPTIONS THRU TSP

- Fixed Annuity
  - Single Life
  - Joint Life
    - 50% survivorship
    - 100% survivorship

# ADDITIONAL ANNUITY FEATURES

For extra cost:

- Cash refund option
- 10-year certain option
- Cost of living adjustments



# TAXES

## TSP WITHDRAWALS

- Contributions and growth tax-deferred until withdrawn
- Taxed as ordinary income in year received
- May be subject to 20% backup withholding

# FEDERAL EMPLOYEES GROUP LIFE

- Must have been in effect for the 5 years preceding retirement
- Can be dropped or reduced at any time but not added or increased after retirement

# FEDERAL EMPLOYEES GROUP LIFE

- Basic Coverage
  - Rounded salary + \$2,000
- Optional Coverages
  - Option A - \$10,000
  - Option B – salary multiples
  - Option C – family coverage

# FEDERAL EMPLOYEES GROUP LIFE

- Basic Life Choices in Retirement
  1. No reduction
  2. 50% reduction at 65
  3. 75% reduction at 65

# BASIC FEGLI NO REDUCTION OPTION

- Basic cost before retirement
  - \$.3250 per \$1000 per month
- Basic cost after retirement
  - Until age 65 - \$2.155 per \$1000
  - At age 65 - \$1.83 per \$1000

# FEGLI BASIC

## 50% REDUCTION OPTION

- Basic cost before retirement
  - \$.3250 per month per \$1000
- Basic cost after retirement
  - Until age 65 - \$.925 per \$1000
  - At age 65 - \$.60 per \$1000

# FEGLI BASIC

## 75% REDUCTION OPTION

- Basic cost before retirement
  - \$.3250 per month per \$1000
- Basic cost after retirement
  - Until age 65 - \$.3250 per \$1000
  - At age 65 - FREE

# FEGLI OPTIONAL

- Option A decreases 2% per month beginning at 65 until it reaches \$2500
- Cost based on age til 65
- Free at 65



# FEGLI OPTIONAL

- Options B and C can remain unreduced with cost based on age
  - Current max cost monthly
    - Option B - \$2.752 per \$1000
    - Option C - \$13.00 per multiple

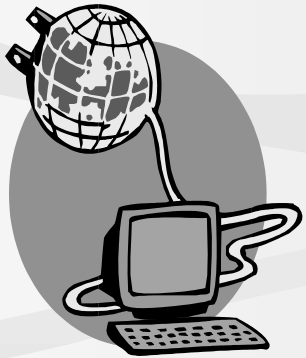
# FEGLI ONLINE CALCULATOR

Go to OPM homepage

[www.opm.gov](http://www.opm.gov)

Select “Retirement”

Select “Tools”



# Long Term Care Security Act Public Law 106 - 25

September 19, 2000

Long Term Care Partners, LLC  
Joint Venture Company Formed by John  
Hancock & MetLife

# How to Contact LTC Partners

CALL CENTER

1-800-LTC-FEDS

(TDD: 1-800-843-3557)

WEB SITE

[www.ltcfeds.com](http://www.ltcfeds.com)

Email Address

[info@ltcpartners.com](mailto:info@ltcpartners.com)

# Additional Information on Long Term Care

## OFFICE OF PERSONNEL MANAGEMENT

### WEB SITE:

[www.opm.gov/insure/ltc](http://www.opm.gov/insure/ltc)

### Email Address

[ltc@opm.gov](mailto:ltc@opm.gov)

# Who Is Eligible To Apply?

## COVERS A BROAD POPULATION

- Federal civilian employees and annuitants
- Persons receiving compensation payments from OWCP (DOL)
- Active-duty and retired members of the uniformed services
- Qualified relatives

# Who Is A Qualified Relative?

- For employees or annuitants:
  - Current spouse
  - Adult children (age 18 and over, including adopted and stepchildren)
- For current employees only:
  - Parents, parents-in-law, and stepparents

# More on Qualified Relatives

- Qualified relatives can apply even if the employee, member of the uniformed services or annuitant they are related to does not
- Each person applies individually
- Qualified relatives may be subject to different underwriting standards than employee



# What Is Underwriting?

- Underwriting is the process of reviewing your health status to determine whether you qualify for coverage
- Employees, members of the uniformed services and their spouses have abbreviated underwriting during open season

# Six Decisions for Designing Your Personal LTC PLAN

- Comprehensive or Facilities-Only
- Daily benefit amount (DBA)
- Daily or weekly reimbursement
- Benefit period
- Waiting period
- Inflation protection

# Decision #1

## Comprehensive Or Facilities-Only

### Covered Services

### Facilities-Only Plan

- Nursing Home
- Assisted Living Facility
- Hospice (facility only)
- Respite Services (facility only)

# Decision #1

## Comprehensive or Facilities-Only

### Covered Services Comprehensive Plan

- Nursing Home
- Assisted Living Facility
- Hospice Care (facility and home)
- Respite Services (facility and home)
- Home Care (formal and informal)
- Adult Day Care

# Decision #2

## Daily Benefit Amount

- You must decide what amount of coverage you would like to have per day. You may elect a DBA in \$25 increments between \$50 and \$300 per day.
- The amount will be influenced by LTC costs in your geographic area

# Decision #2

## Daily Benefit Amount

To get help with the cost of long-term care in your area go to:

[www.ltcfeds.com](http://www.ltcfeds.com)

Click on “Planning Tools”

# Decision #2

## Daily Benefit Amount

### Reimbursement Rates

- Up to 100% of the DBA for care received in a nursing home, assisted living facility, hospice care or respite services
- Up to 75% of the DBA for home care (formal and informal), and adult day care.

# Decision #3

## Daily or Weekly Reimbursement

- May elect to have payment calculated on weekly basis
- Weekly benefit is equal to 7 times your DBA
- Provides greater flexibility for home care
- Costs a little extra



# Example:

## Daily Vs. Weekly Reimbursement

**If insured requires home care 5 days per week, six hours per day at \$17 per hour (\$510 wk), reimbursement would be calculated as follows:**

**Using Daily Basis - \$100 DBA – 75%**

**\$75 x 5 = \$375 (leaves \$135 unpaid)**

**Using Weekly Basis - \$100 DBA – 75%**

**\$75 x 7 = \$525 (covers full cost)**

# Decision #4

## Benefit Period

- You may choose a limited benefit period of 3 years or 5 years. Your benefit period combined with your DBA creates your lifetime maximum.

or

- You may choose an unlimited benefit period with no lifetime maximum.

# Calculating Your Maximum Lifetime Benefit

DBA x Days in Benefit Period =  
Maximum Lifetime Benefit

Example of 3 Year Benefit Period:

\$100 DBA x 1095 days=\$109,500

***Pool of money can last longer than “benefit period”  
depending on LTC options you utilize***

# Decision #5

## Waiting Period

- Number of days you must be eligible for benefits and receiving covered services before benefits are payable:
  - 90 days
  - 30 days
- Need to meet it only once in your lifetime

# Decision #6

## Inflation Protection Options

- Inflation reduces your purchasing power and affects benefits. Inflation protection is important.

### Two Choices:

- Automatic Compound Inflation (ACI)
  - Future Purchase Option (FPO)

# Decision #6

## Inflation Protection Options

- Automatic Compound Inflation
  - Benefits will automatically increase by 5% compounded annually (even if you are eligible for benefits)
  - Premiums do not increase even though your benefits do

# Decision #6

## Inflation Protection Options

- Future Purchase Option
  - May increase coverage every two years based on rise in CPI for Medical Care
  - Additional premium for increased coverage based on current age
  - If you decline three increases, you don't get any more offers

# Calculating the Premium

Go to [www.ltcfed.com](http://www.ltcfed.com)

Click on “Premium Calculator”

You can enter up to 4 different scenarios and display results side-by-side for comparison



# How to Qualify for Benefits

- You must require substantial assistance performing at least 2 activities of daily living for an expected period of at least 90 days

or

- You must have a Severe Cognitive Impairment (e.g. Alzheimer's)

# How to Qualify for Benefits

- Activities of Daily Living (ADLs) include:
  - Eating
  - Bathing
  - Dressing
  - Toileting
  - Continence
  - Transferring (e.g. bed to chair)

# When Benefits Start

Benefits start when:

- You have met your required waiting period and
- A licensed health care practitioner certifies that you meet the “benefit triggers” and
- The insurance company agrees

# Care Coordinators Help You Every Step of the Way

- Answering your questions
- Deciding whether you qualify for benefits
- Locating providers and accessing discounts
- Monitoring your care
- Also available to qualified relatives if you're enrolled and they are not

# How To Apply

- You may be eligible to apply on-line at [www.ltcfeds.com](http://www.ltcfeds.com)

Or

- Print application and mail to:

Long-Term Care Partners

P.O. Box 5725

Hopkins, MN 55343-5725

# Once You're Approved...

- Will receive a Benefit Booklet (your policy)
- Will receive your personalized Schedule of Benefits
- Will have a 30-day “free-look” period

# Comparison Shopping

## Companion Guide to the *NAIC Shopper's Guide to Long-Term Care Insurance*

- Can be downloaded from LTC Partners web site
- Use Worksheets on pages 8-10

# From The Resource Library

[www.ltcfeds.com](http://www.ltcfeds.com)

- Applications (abbreviated and full)
- NAIC Shopper's Guide to LTC
- OPM's Companion Guide
- LTC Insurance Primer
- Benefit Booklet
- Sample Schedule of Benefits